



## **How Local Journalists Can Cover A Banking Crisis**

Informed, Accurate Reporting Is The Key

By

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I've been watching the current banking situation closely for the last few weeks wondering if it would become a true financial "crisis" for the United States. I've covered financial challenges to the U.S. banking system since the late 1960s. We've had many. Some people think the current or next financial challenge could be ruinous for the United States. Is that true?

Let's begin by defining a financial crisis. Here are three examples —

In a financial crisis, asset prices see a steep decline in value, businesses and consumers are unable to pay their debts, and financial institutions experience liquidity shortages. A financial crisis is often associated with a panic or a bank run during which investors sell off assets or withdraw money from savings accounts because they fear that the value of those assets will drop if they remain in a financial institution.

[Investopedia](#)

An **economic crisis** is a situation in which a country's economy deteriorates significantly. We also call it a **real economic crisis**. In most cases, a financial crisis is the cause of an economic crisis. During the crisis, GDP is typically declining, liquidity dries up, and property and stock market prices plummet. It is an **economic downturn** that gets worse and worse.

### Market Business News

Financial Crisis refers to a situation in which there is an acute decline in the value of assets. Also, the businesses and consumers are not able to pay off their debts and the banks face liquidity shortages. It is related to a **bank run** – a situation in which many investors sell their assets or withdraw money from their accounts, as they feel like the value of their deposits will go down if they continue to keep it in the financial institution. — Business Jargons

I think the words “bank run” frighten a lot of people because of images of what happened after the stock market crash of 1929. 650 banks failed in 1929. More than 1,300 failed in 1930. New York’s Bank of the United States collapsed the following year. It was the largest single bank failure in U.S. history.

The wave of bank runs continued into 1933. It was a tough time for the country, but the banking crisis finally came to an end. However, the damage had already been done. Millions of people lost their life savings because of the financial crisis. The Great Depression followed. Even though that happened almost a hundred years ago, people haven’t forgotten how bad it was then. My parents and grandparents lived through it and shared stories about how difficult it was just to feed a family during the 1930s.

More recently, our country dealt with “stagflation” in the 1970s, a recession in the early 80s, a savings and loan crisis in the late 80s that led to another recession in the early 90s, and the financial crisis of 2008-09.

The U.S. Office of Thrift Supervision shut down Washington Mutual (WaMu) in 2008. It was the sixth-largest financial institution in the United States at the time. Depositors withdrew almost \$17 billion in deposits in just two weeks. WaMu had about \$310 billion in assets at the time of its failure, but the FDIC sold the bank to JPMorgan Chase for less than \$2 billion. Wachovia Bank was next to be shut down after depositors withdrew more than \$15 billion. Lehman Brothers, Bear Stearns, and AIG also failed, though the financial circumstances were different than a typical bank run.

An even more recent bank run happened in 2019 with MetroBank based in the U.K. This one reportedly started with rumors that were shared on social media and messaging apps. Because so many consumers use social media along with electronic methods of banking, a bank run can happen quickly and quietly.

Bank runs often happen when investors and depositors panic about the solvency of a bank. Even if the bank wasn't truly insolvent, a *bank run* can lead to real insolvency. That's where journalists can help.

## Reporting Financial News Accurately

Reporting news accurately is one of the hallmarks of journalism. Journalists should do that for every story, but there are some stories that carry more weight than others because of the ramifications of the information being conveyed. Financial news, especially about the solvency of banks, is one of those stories. Journalists need to be sure the information they report about financial institutions is accurate.

There's a good chance you'll be called on to cover financial/banking news in the coming months and years. If you don't have special training or education in that area, this is a good time to learn as much as you can. The goal is to be accurate and objective. Here are some suggestions that may help you prepare for the next financial story you cover —

- Become “financially” informed. Talk with financial/banking experts in your community who you believe are trustworthy. A good cross section of bankers from local, regional, and national banks, investors, and finance professors at local colleges and universities will help

you get a handle on what's going on and why, and to learn what to look for in the future.

- It would be good to learn about the Bank Term Funding Program (BTFP). The Federal Reserve Board announced last week that it will make available additional funding to eligible depository institutions to help assure banks have the ability to meet the needs of all their depositors. Here's a link to the program — [Federal Reserve System](#).
- Also learn as much as you can about Central Bank Digital Currency (CBDC) and FedNow. Many countries have already adopted CBDCs and the United States is quickly moving in that direction.
- Prepare a list of financial/banking experts you trust who agree to go on the record/on camera for future stories. If you find yourself covering a bank run or collapse in your community, it's helpful to have some knowledgeable experts on speed dial.
- Work closely with your news managers and senior editors/anchors who may have more experience than



you do on financial matters. Listening to them about their experience may help make your reporting better.

- One of the biggest challenges journalists face is when they cover a story live, rather than with an approved script. The better you prepare now, the better your live reports will be in the future.

You may also want to re-read two newsletters I wrote earlier this year about recessions ([Part One](#) - [Part Two](#)). Many people are concerned about how a continued banking crisis could affect the economy and lead to a deep recession.

## Media Reports About The Banking “Crisis”

Here are examples of recent media reports about the banking crisis that may help journalists with some background on what’s been happening in the last several weeks and what may happen in the weeks ahead. I started writing this newsletter a couple of weeks ago, so some of the media reports are from the middle of March. I’ve also included more recent reports.

I may not agree with everything written in the articles below but believe it’s helpful for journalists to hear from a variety of viewpoints prior to reporting on any story. As always, check the facts of your story — then check again before filing your report.

- Close to 190 banks could face Silicon Valley Bank's fate, according to a new study — [USA Today](#)
- Global banking crisis: What just happened? — [CNN](#)
- Another Credit Suisse Crisis: Bank Finds 'Material Weaknesses' In Its Financial Reporting — [Forbes](#)

- Goldman Sachs, JPM expect hit to US economic growth from SVB crisis — [Reuters](#)
- Will the banking crisis cause a recession? It may depend on the 'wealth effect,' economist says — [CNBC](#)
- How bad is the banking crisis? — [BusinessInsider](#)
- Forged by 2008 financial meltdown, Biden faces new test with failures at SVB, Signature Bank — [USA Today](#)
- Deutsche Bank share slide reignites worries among investors — [BBC News](#)
- What the banking crisis means for your job — [CNN Business](#)
- Marc Thiessen on SVB collapse: Every time the government 'artificially addresses' the economy, there's 'unintended consequences' — [Fox News](#)
- 'The market is telling us something very bad is coming', as global banking crisis deepens — [ABC Australia](#)
- Tech Investor David Sacks Predicts Next Stage of SVB Crisis — [Newsweek](#)
- Global banking crisis: One big problem down, too many others left to go — [CNN Business](#)

- 'There's going to be more': How Washington is bracing for bank fallout — [Politico](#)
- What to know about the Silicon Valley Bank collapse, takeover and fallout — [NPR](#)
- Banking Crisis Hangs Over Economy, Rekindling Recession Fear — [New York Times](#)
- Silicon Valley Bank has a new owner. What it means for the bank crisis — [CNN Business](#)
- A US debt crisis will arrive sooner as banking turmoil hits the economy and federal revenue, strategist says — [Markets Insider](#)
- Why the US banking crisis is like winter in Europe — and what it means for stocks — [New York Post](#)
- UBS offers to buy embattled Credit Suisse for \$1 billion — [Fox Business](#)
- Banking Crisis: Small Banks Hit by Massive Cash Withdrawals — [TheStreet](#)
- What the banking crisis means for mortgage rates — [CNN Business](#)

- This banking crisis is different from the 2008-2009 financial crisis in 4 ways, Moody's chief economist Zandi says — [BusinessInsider](#)
- Media Tip Sheet: How Will the Banking Crisis of 2023 Affect You? — [Syracuse University News](#)
- What's a bank run? The 10 moves that led to Silicon Valley Bank's astonishing fall — [CNN](#)
- How to protect small businesses caught in the wake of the Silicon Valley Bank collapse — [The Hill](#)
- Economic experts break down what is behind bank failures — [Fox News](#)
- What Social Media Is Doing to Finance — [The Atlantic](#)
- Bank Failures, The Fed, And A Financial Crisis Rerun? — [Forbes](#)
- First Republic is a hot mess. The reason has a lot to do with its wealthy clientele — [CNN Business](#)
- Bank run, Dodd-Frank, systemic risk: Your 2023 banking crisis glossary — [USA Today](#)



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